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Congress of the United States
 House of Representatives
 Committee on Appropriations
 Washington, DC 20515-6015

September 21, 2006

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The Honorable Samuel W. Bodman
 Secretary of Energy
 U.S. Department of Energy
 1000 Independence Avenue, S.W.
 Washington, D.C. 20585

Dear Secretary Bodman:

As you know, the Committee included a provision in the Energy and Water Development Appropriations bill for fiscal year 2004, and in subsequent fiscal years, mandating the competition of the management and operating contracts for Ames Laboratory, Argonne National Laboratory, Lawrence Berkeley National Laboratory, Lawrence Livermore National Laboratory, and Los Alamos National Laboratory. I am very disappointed with the results of the contract competitions that the Department has conducted to date. The Berkeley and Argonne contracts had no competing bidders. While I hope that the competitive process has yielded some efficiencies and improvements that will benefit the federal taxpayer, those changes will be modest at best. However, I do have some confidence that the Office of Science conducted fair competitions for these laboratory contracts, and will do the same for the upcoming Ames Laboratory competition. With both Berkeley and Ames laboratories being an integral part of university campuses, it is not surprising that other entities are reluctant to bid against the incumbent university contractors.

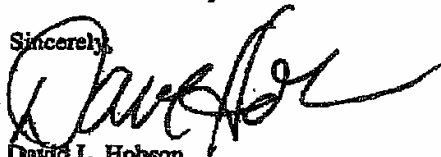
I am more disturbed by the process that was used to compete the Los Alamos contract. Granted, there were two viable competitors for that contract, and the incumbent University of California was motivated to team with other partners. However, other potential competitors for the Los Alamos contract were discouraged from bidding because of the perception that the Department was determined to award the contract to the incumbent. Potential competitors believed that the Department structured the Request for Proposals for Los Alamos to favor the incumbent contractor and limit the chances of any other competitor winning that contract. That perception proved to be correct.

Unfortunately, that same perception is now prevalent in the contractor community with regards to the pending competition for the Lawrence Livermore National Laboratory. I have had potential competitors inform me that their companies will not invest the time, effort, and expense to prepare a proposal for the Livermore contract because they believe that the Department is determined to award the Livermore contract to the University of California. Unlike the Berkeley and Ames laboratories, Lawrence Livermore is not directly connected to a university campus, and there is no good reason that the Department should not be able to attract multiple qualified bidders on the Livermore contract.

In mandating competition, it was the intent of Congress to attract the widest possible group of interested bidders to bring in fresh ideas and new talent to support the Department's mission. Unfortunately, the Department of Energy's national laboratories are not viewed as a competitive marketplace but as a playground for political patronage. The Department of Energy has resisted moving in the direction of fair and open competitive processes. Unfortunately, the Department has insisted on using the flawed Los Alamos competition as a model for the competition for the Livermore contract, which telegraphed to the contractor community that innovative ideas and concepts would not be favorably received.

The DOE has implemented these historic laboratory competitions in a manner that minimizes the opportunities for real transformation of the DOE laboratory complex. If the Department is unable to develop a Request for Proposal for the Livermore competition that is written to ensuring the most competitive process possible for the procurement, then Congress will have to legislate a delay in the contract competition to give the DOE more time to structure the competition to be completely fair and open, with a priority put on attracting the widest possible group of interested bidders. We need a procurement process that fosters greater competition, not a process that essentially guarantees the status quo.

Sincerely,



David L. Hobson
Chairman, Energy and Water Development
Appropriations Subcommittee